GDRs / ADRs issues by FIs

Ref DBS.FID No.C 1/01.02.00-2000/2001

July 20, 2000

All India Term Lending and Refinancing Institutions

Dear Sir,

<u>GDRs / ADRs issues by FIs</u>

As you are aware, FIs are permitted to raise capital through issue of Global Depository Receipts (GDRs) or American Depository Receipts (ADRs) within the limits prescribed for Foreign Direct Investment by the Government of India. As per the guidelines issued by the Government of India for ADR / GDR issues, FIs are eligible for GDR / ADR issues without reference to the end-use criteria with the restriction that investments in stock market and real estate are not permitted.

2. The issue of repatriation of the proceeds of GDRs / ADRs issued by FIs has been reviewed by us. Considering the fact that FIs, which are raising capital abroad for improving their capital base, have largely rupee-denominated assets and that most of the risk limits are linked to their capital, FIs are advised to repatriate the entire proceeds of GDRs / ADRs soon after the issue process is completed. This provision would also be applicable to direct investments in FIs made by NRIs / OCBs, foreign banking companies or finance companies, including multilateral institutions.

Yours faithfully,

(K.C. Bandyopadhyay)
Chief General Manager